

Walt Disney
PRODUCTIONS
ANNUAL
REPORT



Fiscal Year Ended . . . September 29, 1951

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Board of Directors

Walter E. Disney	Burbank, California
Roy O. Disney	Burbank, California
George E. Jones	Los Angeles, California
Gunther R. Lessing	Burbank, California
Jonathan B. Lovelace	Los Angeles, California
Paul L. Pease	Burbank, California

Officers

Walter E. Disney	Chairman of Board of Directors
Roy O. Disney	President
Gunther R. Lessing	Vice President and General Counsel
Oliver B. Johnston	Vice President in charge of Character Merchandising
Paul L. Pease	Treasurer
James A. Johnson	Secretary
Lawrence E. Tryon	Assistant Treasurer
Spencer C. Olin	Assistant Secretary
Franklin Waldheim	Assistant Secretary and Eastern Counsel

STOCK TRANSFER AGENTS: Bank of America N.T.&S.A., Los Angeles,
California
Irving Trust Company, New York, N.Y.

STOCK REGISTRARS: California Trust Company, Los Angeles,
California
City Bank Farmers Trust Company,
New York, N.Y.

DEBENTURE TRUSTEES: Bank of America, N.T.&S.A., Los Angeles,
California

ANNUAL MEETING OF
STOCKHOLDERS: First Tuesday in February at the offices of
the company, 2400 West Alameda Ave-
nue, Burbank, California.

This report is distributed for the information of stockholders and employees of the company. It is not to be considered either as a prospectus or circular in connection with the purchase and/or sale of securities.

... AS WE GO TO

PRESS.

NEW YORK—RKO and Walt Disney sales representatives gave an enthusiastic reception to the showing of Walt Disney's all live action feature **THE STORY OF ROBIN HOOD**, which was filmed in England and will be released late in July of this year. They saw only a black and white rough print of the Technicolor production, and following the screening, Ned E. Depinet, President of RKO-Radio, wired Disney:

"It was my pleasure this morning to screen 'Robin Hood' and it is refreshing, delightful and different. All of my staff are equally as enthusiastic as I am. Hearty congratulations, and thanks."

Richard Todd and Joan Rice head a wonderful cast in **THE STORY OF ROBIN HOOD**.

LONDON, ENGLAND—Almost every town and city in England had a Disney feature playing during the Yuletide season in one of the greatest saturation booking schedules in British film annals. A minimum of 800 theatres played **ALICE IN WONDERLAND** and **CINDERELLA** during the holiday period, while many others brought back **TREASURE ISLAND** for repeat engagements.

PARIS, FRANCE—Supported by one of the finest publicity campaigns ever accorded a motion picture on the Continent, **ALICE IN WONDERLAND** opened in virtually every European capital during the Christmas week. In Paris, Brussels, Rome, Copenhagen, Amsterdam and Stockholm, native language versions of the Disney feature attracted stand-out business.

BOSTON, MASS.—Nearly two months in advance of the first engagements on the replay of **SNOW WHITE AND THE SEVEN DWARFS**, RKO's exploitation department has a snowballing campaign rolling for the New England area premiere of the

cartoon classic. This "block-buster" promotion tie-up was set in motion with a deal whereby 979 First National Super Markets in six New England states, will use more than 300,000 lines of advertising in 70 first and secondary key cities promoting the selection of a **Snow White** and **Prince Charming** and the most popular school teacher in the New England territory to act as their chaperone. This tie-up is only one of many which will help make the return of **SNOW WHITE** an event of national importance in the motion picture field.

HOLLYWOOD, CALIF.—**THE OLYMPIC ELK**, fourth in Walt Disney's **True Life Adventures** was received by the press as another outstanding screen contribution when it was previewed at the Academy Awards Theatre during the Christmas Holidays. **THE OLYMPIC ELK**, **LAMBERT**, **THE SHEEPISH LION**, a hilarious Disney "special" short subject, and **SNOW WHITE AND THE SEVEN DWARFS** in new Technicolor, were programmed to provide a long-to-be-remembered evening for the press representatives and their families.

TOKYO, JAPAN—Walt Disney's **BAMBI** was received in Japan as the finest motion picture shown in Nippon in the post-war years. Eiga No Toma, leading motion picture magazine in Japan, awarded the American producer a beautiful porcelain vase in appreciation of **BAMBI**. The vase was presented to Disney in Hollywood by Nagaharu Yodogawa, editor-in-chief of Eiga No Toma.

HELSINKI, FINLAND—Film writers throughout Finland have selected Walt Disney's **True Life Adventure** featurette, **SEAL ISLAND** as the best documentary picture released during the 1950-1951 season in this country. A scroll honoring Disney has been forwarded to the producer in Burbank.

1951 IN BRIEF

Gross Income	\$6,287,539
Profit Before Federal Taxes	636,840
Provision for Federal Taxes	207,000
Profit after Taxes	429,840
Earnings per Common Share	\$.65



To Our Shareholders and Employees...

We are fortunate at this time in knowing exactly what product we will have for release this year and what we can look forward to in 1953.

It takes no crystal ball to tell us that the replay of SNOW WHITE AND THE SEVEN DWARFS, starting with a big New England area premiere in February, will meet with success equal to its outstanding showing in 1944.

In the eight years since then, our potential audience has been increased by 25,000,000 children who either were not born or who were too young to attend a motion picture theatre in 1944.

SNOW WHITE will be our only animated feature for release this year, but I am extremely happy to report that our next all live action picture, THE STORY OF ROBIN HOOD, filmed in England, has lived up to our every expectation.

Just before writing this report, we saw a complete black and white print and about a reel of Technicolor pilots, which had been flown from London. To all who participated in this production, I extend my sincere congratulations.

I personally feel that ROBIN HOOD rates above TREASURE ISLAND, which proved to be one of our most successful pictures. In my last year's report to you I said, "ROBIN HOOD should be as colorful and adventuresome as TREASURE ISLAND and have a stirring romance in addition."

It has all this and more.

Richard Todd gives a characterization as the outlaw-patriot that will definitely win him new public and critical acclaim. In Joan Rice, we have not only a beautiful Maid Marian, but a young star who is destined to win high screen honors. She has a freshness for which the screen is crying and her charm is a perfect foil for the rugged naturalness of Todd's Robin Hood.

I have no hesitancy in stating that THE STORY OF ROBIN HOOD should be big box office.

The further we progress into the animation of PETER PAN, which will be finished by the end of this year, the more confident I am that the Barrie fantasy will be a feature worthy of our best. I share this sentiment with our entire production staff. We have a real property in PETER PAN, and our anticipation of its potentialities is high.

The story of SLEEPING BEAUTY is now being developed for animation. While touring Europe last summer, I learned that this great tale rates tops with people all over the Continent, as it does in this country. We hope to get it into production by the time film is written on PETER PAN.

We have added to our list of future productions Jules Verne's spectacular and adventuresome 20,000 LEAGUES UNDER THE SEA. We have acquired the rights to this story, which can make one of the all-time great motion pictures. Our production plans are tentative at this stage, but the knowledge we have acquired in developing our True Life Adventure series will be extremely valuable in filming the fantastic under-sea creatures depicted by Verne. This feature will be all live action and except for the underwater scenes, which will be filmed somewhere along the trail of the *Nautilus*, will be shot in Technicolor in our own studio.

Speaking about True Life Adventures, public and exhibitor enthusiasm for these productions is increasing continually. Early this year we will release THE OLYMPIC ELK, which took nearly two years to film. It faces tough competition in meeting the response accorded NATURE'S HALF ACRE, but I regard it one of the most exciting of the series.

Later in the year, we will have WATER BIRDS, and even in rough state, it is worthy of its four predecessors. It has novelty, beauty and plenty of dramatic wallop, and I believe it is academy award-winning calibre.

We have five more True Life Adventures in various stages of assembly, assuring us at least two releases a year in this series for the next few years.

Our second venture into the television field is now history and from preliminary estimates, we reached over 25,000,000 viewers with our Christmas Day show sponsored by Johnson and Johnson, over the entire CBS television network. The exploitation we received for the replay of SNOW WHITE AND THE SEVEN DWARFS, as well as our other product incorporated in the hour-long telecast, was of incalculable value.

We have augmented our regular series of short subjects with a group of "specials," for which we have set extra budgets. These include LAMBERT THE SHEEPISH LION, THE LITTLE HOUSE, SUSIE THE LITTLE BLUE COUPE, TRICK OR TREAT and PIGS IS PIGS. They are all fine entertainment.

Our single reels are still our favored projects, and we are sparing no effort to maintain them at the highest possible standard.

In these extraordinary days we realize fully that the public is shopping more than ever for its box office fare. There is no compromise with quality. You not only have to give them the best in film product but every channel must be pursued for "selling" your attractions.

I am confident that the pictures we have coming up will enable us to fill this bill.

WALT DISNEY

The President's Letter

TO OUR SHAREHOLDERS AND EMPLOYEES...

Our fiscal year ended September 29, 1951 was on the whole a satisfactory one for us. The accompanying consolidated statements, as reported on by Price Waterhouse & Co., independent certified public accountants, show the year's financial progress. This progress may be evaluated in relation to the results of recent years by reference to the five-year comparison on page ten. We particularly invite the attention of new stockholders to that comparison and to the comments on Basic Facts and Policies contained in this report.

Gross Income

Gross income for the year amounted to \$6,287,539 as compared with \$7,293,849 the year before. The 1950 year benefited greatly from the first heavy receipts of CINDERELLA which commenced release in February, 1950. CINDERELLA was our largest single source of gross income in 1951. TREASURE ISLAND, first released in July, 1950, also produced substantial revenue. The first cash returns from ALICE IN WONDERLAND, which had its world premiere in July, 1951, were received one week before the close of our year.

The decline in income from short subjects during 1951 was due to the temporary delay in deliveries occasioned by the concentration of production effort on ALICE IN WONDERLAND. As we stated last year, the overall world revenues from our short subjects remains quite steady.

For the fifth straight year the combined gross income from character merchandising, comic strips, books, magazines and music showed an increase. These important activities add much to our total strength in that they derive their revenue from many diversified markets around the world. Elsewhere in this report there appear more detailed comments about them.

Net Profit

Consolidated net profit for 1951 was \$429,840, which was equal, after payment of the final quarterly dividend on the Preferred stock on January 1, 1951, to 65 cents per share on the 652,840 common shares outstanding. This compares with \$717,542 equal to \$1.06 per common share, after preferred dividends, last year.

We have a fairly satisfactory position under the new Excess Profits Tax Act. Our excess profits tax credit, computed on the invested capital method, is approximately \$850,000.

Preferred Stock

All outstanding Preferred stock was redeemed on January 1, 1951 at the redemption price of \$25 per share, plus accrued dividends to the date of redemption. The \$279,900 required for this purpose was obtained from current bank loans.

Financial Condition

There was a slight decrease in net working capital from \$5,247,751 to \$5,146,008. The increase in current bank loans of \$423,197 was much less than we had anticipated, primarily due to the excellent results from CINDERELLA and the unexpected release of blocked funds in France. Outstanding debentures were reduced by \$40,110 and at the year end totaled \$660,210, a reduction of \$703,990 from the original obligation of \$1,364,200 in 1945.

The long-term serial loan, which originally was \$1,000,000 in 1948, was reduced by \$279,224 during the year and at the year end stood at \$57,085. The revenues from publications which are the sole security for this loan continued to exceed our expectations and the loan was entirely paid off during December, 1951.

Product for 1952-53

ALICE IN WONDERLAND will be our principal source of feature picture revenue during 1952. Due to generally poorer attendance at motion picture theatres during the period of its release, ALICE has not performed as well at the box office as did CINDERELLA. Because of these circumstances and because ALICE



IN WONDERLAND is our highest cost feature, it is not expected to produce a profit from its first release. However, it is a classic property which should be a valuable asset to the company indefinitely.

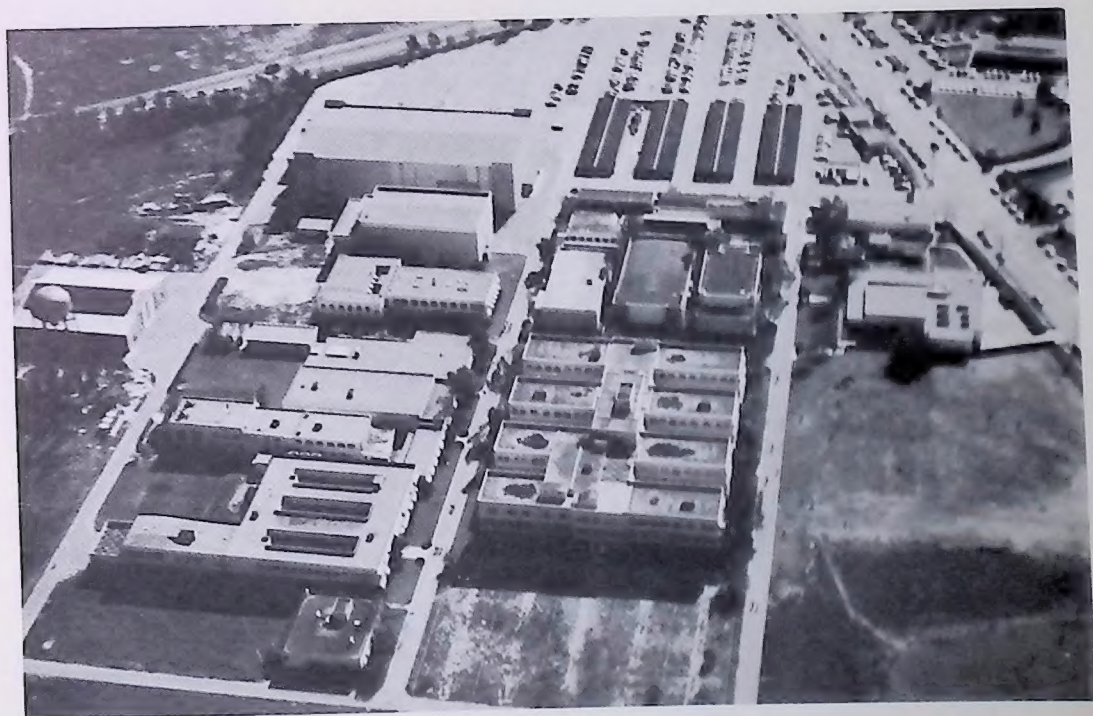
Our most successful cartoon feature, SNOW WHITE AND THE SEVEN DWARFS, will start a full-scale release in February, 1952. This picture, first released in 1937 and reissued in 1944, has consistently been our greatest money maker and we confidently anticipate substantial revenue from it during 1952 and 1953. It is now having a very successful reissue in France and Belgium where it is grossing the equivalent of most top new pictures.

Production is about completed on THE STORY OF ROBIN HOOD, a full length, all live action feature, in Technicolor, which was produced in England in association with our distributor, RKO Radio Pictures, Inc. Like TREASURE ISLAND, which was also produced in England in cooperation with RKO, most of the production cost of ROBIN HOOD will be paid out of blocked English sterling. The effect of the production and worldwide distribution of these two pictures made in England is to convert sterling to dollars. ROBIN HOOD tells a fast-moving, dramatic story and promises to have broad appeal. Scheduled for first release during the late summer or early fall of 1952, its first revenue will probably be received shortly after the close of our 1952 fiscal year.

Our animation crews are now concentrating on a full length cartoon version of PETER PAN. It is planned for completion by December, 1952 and should be first released in early 1953.

The pictures in our True Life Adventure series have turned in very gratifying results. These subjects, which run approximately 30 minutes in length, tell entertaining true-life stories about the strange facts of the world in which we live. They are photographed in color in their natural settings, completely authentic, unstaged and unrehearsed. The first three—SEAL ISLAND, BEAVER VALLEY, and NATURE'S HALF ACRE—have received excellent audience response. The fourth in the series—THE OLYMPIC ELK—is now completed and will go into release more or less simultaneously with SNOW WHITE in early 1952. Several other pictures for this series are in preparation and it is planned to release two of them annually.

The short subjects, which have been steadily profitable through the years, will continue to follow a regular pattern of 18 releases per year.



Recent aerial view of the company's studio properties at Burbank, California.

Foreign Markets

I have just returned from a trip which covered our major markets in England and on the Continent of Europe. In general, things are going well there for us and in terms of local currencies our pictures are doing strong business. Our character merchandising and music representatives abroad have contributed to the success of our motion picture selling to a far greater extent than has ever been accomplished heretofore.

Other areas of the world, notably South America, Australia and Japan, are also contributing satisfactorily to our total business.

The volume of our foreign business was increased during 1951 due to the release of CINDERELLA in foreign markets and due to our entrance into the markets of Germany and Japan.

Considering existing currency restrictions dollar remittances from abroad were satisfactory, although the larger volume of foreign business resulted in an increase in our blocked currencies at the year's end to approximately \$825,000 (at current trading rates of exchange) as compared with \$480,000 a year ago.

ALICE IN WONDERLAND will be released in foreign territories during the coming year in a pattern similar to CINDERELLA.

Threats of further currency devaluation and restrictions on remittances have appeared recently in several countries. Accordingly, there is some doubt that our dollar returns from foreign countries in the coming year will be as good as those of recent years.

Basic Facts and Policies

Each year as we prepare this report we are mindful that there are many stockholders who have recently acquired their holdings in the company. Our records show that approximately one-half of our present stockholders have acquired their Disney stock in the last two years. Therefore, it would not seem unduly repetitious to review some of the basic facts about the company and to explain some of our fundamental policies.

Basically, Walt Disney Productions is in the business of acquiring, producing and marketing literary properties primarily in the form of motion pictures and also through such related activities as character merchandising, books, comic strips and music. The Disney family owns 54% of the common stock with the balance being held by approximately 1250 stockholders. Except insofar as it is pledged as security for our revolving line of bank credit, the company's library of 18 feature pictures and over 400 short subjects is owned free and clear of any entangling commitments. The pictures and all of our cartoon characters are protected by copyright throughout the world. Under the laws of most countries, we have approximately 56 years of copyright protection from the time a picture or character first appears.

It has been, and will continue to be, our policy to produce feature pictures based on classic stories from the world's literature. Our goal of making only the highest quality pictures provides reasonable assurance that our pictures will have a long marketing life and that they will generate and sustain world-wide interest in the character merchandise, books, comic strips, and music which stem from them.

Time has proven that the real strength of the company lies in the character and quality of its product and in the various values which are inherent in our pictures and our characters. None of these related values are carried on our books and it is difficult to estimate their worth. Management believes, however, that they are substantial.

The successful marketing of our pictures and the realization of their related values depend on careful handling and well-coordinated efforts. Because our subjects are undated, we do not have to aim only for the immediate dollar. We are able to wait if necessary until market conditions seem most favorable or until it seems most desirable to exploit a given property. Consequently, our marketing cycle is usually slower than that of many motion picture companies and this, coupled with the fact that it takes approximately two years to produce a full length animated cartoon feature, means that our cycle of production and marketing is about five years.



Television

Our position regarding television was reported to you in our Interim Report to Shareholders last spring and there has been no change in the status of this matter since then. We are not committed in any way with regard to the use of our large library of completed features and short subjects for television.

Our investigations to date and our experience with our 1950 Christmas Day Television Show, which introduced Walt Disney's ALICE IN WONDERLAND to over twenty million people, leads us to believe that television can be a most powerful selling aid for us as well as a source of revenue. It is anticipated that our 1951 Christmas Day Television Show will be of great assistance in launching the reissue of SNOW WHITE.

For not quite a year we have engaged in small-scale production of live action films for television, particularly spot announcements, through a controlled subsidiary, Hurrell Productions, Inc., which operates on our studio lot at Burbank. This subsidiary is exploring the possibilities of producing serialized dramatic and comedy shows on film for TV. However, it is still too early to attempt an evaluation of our progress or to predict our future in this new and highly competitive field.

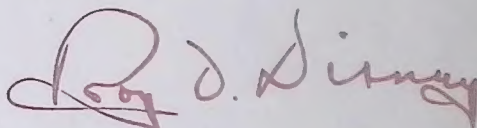
Personnel

The company now has 575 employees as compared with 518 a year ago. Labor turnover continued low during the year and our relationships with the 33 different unions which represent our employees were on a friendly and cooperative basis.

Salaries and wages, including \$229,100 received by directors and officers, totaled \$3,886,350, or about two-thirds of our total costs of doing business.

We recently became subject to increases in wage rates and certain employee benefits aggregating approximately 15% covering a relatively small number of our employees affiliated with certain motion picture unions. Other unions, which together have jurisdiction over the majority of our employees, have presented substantial demands but negotiations are not yet concluded.

Productivity and morale throughout the organization during the past year has been very good. The Board of Directors and management of the company wish to thank all of the personnel for their contributions to the success of our operations.

A handwritten signature in dark ink, reading "Roy O. Disney". The signature is fluid and cursive, with the first name "Roy" and last name "Disney" clearly legible.

President

December 19, 1951



TOPOLINO



ANDERS AND



PLUTO



PIPPA



SCHNEEWITTCHEN



DUMMERCHEN



DOTTO



ATCHOUM



JOYEUX



BLYGER



PIERRE PAN



CLOCHETTE



WENDY



CAPITAO HOOK



GORDIMOV



GIAC



GAS



DUMBO



GNAVPO



SIEBENSCHLAPPEN



JIMINY GRILLE



PINOCHIO



LIISA

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LEGEND



FILM... Disney sales representatives.



MERCHANDISE... 18 Foreign offices
representing 23 Foreign Countries.



MUSIC Representation in 9
countries, coverage in 21 countries.

A FIVE-YEAR COMPARISON

FISCAL YEARS ENDED SEPTEMBER 30	1951	1950	1949	1948	1947
OPERATIONS:					
Gross income	\$6,287,539	7,293,849	5,685,055	4,939,744	6,619,912
Costs and expenses					
Amortization of picture costs	\$2,998,376	3,905,035	4,071,058	3,047,479	3,848,154
Interest expense	132,105	183,503	220,853	219,890	243,153
Other costs and expenses	2,520,218	1,962,769	1,487,043	1,711,413	2,021,530
Provision for taxes on income	207,000	525,000	—	—	200,000
Total costs and expenses	\$5,857,699	6,576,307	5,778,954	4,978,782	6,312,837
Profit or (loss)	\$ 429,840	717,542	(93,899)	(39,038)	307,075
FINANCIAL CONDITION:					
Current assets	\$9,239,509	8,636,835	8,906,923	9,671,390	9,181,994
Current liabilities	4,093,501	3,389,084	4,289,380	4,628,161	4,796,431
Net working capital	\$5,146,008	5,247,751	4,617,543	5,043,229	4,385,563
Land, buildings and equipment after deducting depreciation	1,704,058	1,799,391	1,926,516	2,092,907	2,070,136
Other assets and deferred charges	159,284	207,960	301,510	321,491	283,774
Unearned income	(451,732)	(524,253)	(307,194)	(234,351)	(164,939)
Long term liabilities	(717,295)	(1,036,629)	(1,382,905)	(1,845,700)	(1,046,440)
Stockholders equity	\$5,840,323	5,694,220	5,155,470	5,377,576	5,528,094
Net worth per share of common stock	\$ 8.94	8.29	7.22	7.40	7.50
STOCKHOLDERS EQUITY REPRESENTED BY:					
Preferred stock	\$ —	279,900	443,200	464,500	464,500
Common stock	3,264,200	3,264,200	3,264,200	3,264,200	3,264,200
Other paid in capital	969,538	969,460	960,079	956,120	956,120
Earnings subsequent to Sept. 30, 1944 retained in the business	1,606,585	1,180,660	487,991	692,756	843,274
Total Stockholders equity	\$5,840,323	5,694,220	5,155,470	5,377,576	5,528,094
Number of shares outstanding—preferred	—	11,196	17,728	18,580	18,580
Number of shares outstanding—common	652,840	652,840	652,840	652,840	652,840
Preferred dividend arrearage	\$ —	—	—	83,610	167,220
Preferred dividends paid	\$ 3,915	24,873	110,866	111,480	13,935



RELATED ACTIVITIES

BOOKS

The ALICE IN WONDERLAND book campaign during 1951 consisted of thirteen different titles, including two one-shot magazines. Almost the entire list appeared in advance of the picture or coincidentally with its release.

The forthcoming reissue of SNOW WHITE in February, 1952 has given emphasis to the fact that Disney books frequently become "classics" in their field and have a very long life, just as is the case with respect to our feature films. The Simon & Schuster Little Golden Book of SNOW WHITE is already one of the best sellers of all time among children's books, and an entire new printing will be made to tie in with the reissue. In addition, several new SNOW WHITE books are being prepared. Present plans call for all these items to be released at or prior to the time of general release of SNOW WHITE, and undoubtedly they will help greatly in the exploitation of the picture.

We have already been assured by our publishers that a large and varied list of PETER PAN books will be ready for fall release in 1952 in order to create a "Peter Pan Christmas" prior to that picture's 1953 premiere.

COMIC STRIPS

Our newspaper comics activity in 1951 was highlighted by the 16-week ALICE IN WONDERLAND series. It appeared in 33 leading domestic Sunday papers from September through December, during the peak playing period of the picture.

Our six daily and Sunday newspaper comic strips continue strong and profitable. A recent tabulation revealed that they are read by a combined weekly audience of 62,000,000 in more than 1,000 of the world's outstanding newspapers. These cartoon characters are diligent international ambassadors of good will for our studio and its products.

CHARACTER MERCHANDISING

For over twenty years we have licensed manufacturers of toys, wearing apparel, novelties, food and a wide variety of other merchandise to use the copyrighted Disney names and characters on their products. This business has grown steadily through the years. It is operated as a direct operating division of the company.

Today we have three offices in this country and eighteen full-time Disney merchandising represen-

tatives covering twenty-three countries abroad. Our General Merchandise offices are in Radio City, New York, and at the studio in Burbank, California. The Food Licensing office is in the Civic Opera Building in Chicago. The map in the center of this booklet shows the location of these various offices.

Our Food Licensing operation has been considerably strengthened during the past year. An outstanding firm of package and label designers has been retained to make the Disney products of our food licensees as attractive and as well coordinated as possible; one of the world's leading authorities on the chemistry and processing of food makes periodic inspections of the plants and Disney products of our food licensees; a large advertising agency provides specialized advertising counsel and material. Test campaigns are being held in medium-sized cities to develop more effective ways to expand our food business. Approximately seventy Disney-licensed bakeries are now making over one million loaves of Donald Duck bread every week.

WALT DISNEY MUSIC COMPANY

In November, 1951, Walt Disney Music Company completed its second year of active operations in the popular music publishing field. The company is a wholly-owned subsidiary of Walt Disney Productions and was formed primarily to enable us to retain full control of our music copyrights and to help us secure the maximum benefit from the exploitation of the music contained in our motion pictures as an aid in selling the films. All the music exploitation activities of Walt Disney Productions and all relationships with other music publishers with respect to the music from earlier Disney features have been centralized under the administrative control of Walt Disney Music Company.

The Music Company has offices in New York and in Hollywood and operates in foreign countries through subsidiaries formed with Chappell and Company, Ltd., and through direct agents. The accompanying map indicates the world-wide scope of these activities.

In addition to the scores of CINDERELLA and ALICE IN WONDERLAND, the Music Company's catalog includes certain other songs not contained in Disney pictures. Among these have been numbered such hits as "Mule Train," "No Other Love," "My Destiny," "Would I Love You," "Once," and "Shrimp Boats."

Walt Disney Productions and Subsidiaries

(INCORPORATED IN CALIFORNIA)

CONSOLIDATED BALANCE SHEET

ASSETS

	Sept. 29, 1951	Sept. 30, 1950
CURRENT AND WORKING ASSETS		
Cash	\$ 227,082	\$ 255,627
Accounts receivable, including \$99,727 and \$59,674 due from officers and employees at respective dates	221,476	334,662
Prepaid insurance and taxes	64,920	132,958
	<u>\$ 513,478</u>	<u>\$ 723,247</u>
Inventories (Notes 2 and 3)—		
Productions in process, at cost	\$ 3,356,194	\$ 2,763,252
Completed productions, at cost less amortization:		
Feature pictures	4,908,529	4,314,344
Short subjects	513,806	696,647
Scenarios and story rights, at cost	778,272	1,036,225
Film stock, supplies, etc., at cost	169,230	103,120
	<u>\$ 9,726,031</u>	<u>\$ 8,913,588</u>
Less—Provision for possible excess of cost over estimated realizable amounts	1,000,000	1,000,000
Total inventories	<u>\$ 8,726,031</u>	<u>\$ 7,913,588</u>
Total current and working assets	<u>\$ 9,239,509</u>	<u>\$ 8,636,835</u>
OTHER ASSETS		
Cash surrender value of insurance on life of officer	\$ 51,293	
Investments in foreign subsidiaries not consolidated, less amortization (Note 1)	11,803	\$ 29,867
	<u>\$ 63,096</u>	<u>\$ 29,867</u>
CAPITAL ASSETS		
Land, buildings and equipment, at cost	\$ 4,589,165	\$ 4,562,649
Less—Depreciation	2,885,107	2,763,258
	<u>\$ 1,704,058</u>	<u>\$ 1,799,391</u>
DEFERRED CHARGES	<u>\$ 96,188</u>	<u>\$ 178,093</u>
	<u>\$11,102,851</u>	<u>\$10,644,186</u>

(See notes to the financial statements)

LIABILITIES

	Sept. 29, 1951	Sept. 30, 1950
CURRENT LIABILITIES		
Notes payable (secured as explained in Note 3)	\$ 2,110,637	\$ 1,687,440
Accounts payable and accrued expenses	1,173,642	597,410
Advances under contracts	5,954	74,775
Property, social security and other taxes	247,602	235,887
Estimated taxes on income (Note 4)	555,666	788,135
Preferred stock dividend payable October 1, 1950		5,437
Total current liabilities	<u>\$ 4,093,501</u>	<u>\$ 3,389,084</u>
UNEARNED DEPOSITS	<u>\$ 451,732</u>	<u>\$ 524,253</u>
LONG TERM LIABILITIES (Note 5)		
4% debentures, Series A, due July 1, 1960	\$ 660,210	\$ 700,320
2% loans, due serially to December 31, 1957	57,085	336,309
	<u>\$ 717,295</u>	<u>\$ 1,036,629</u>
STOCKHOLDERS EQUITY		
Capital Stock—		
6% cumulative convertible preferred \$25 par value (Note 7)		\$ 279,900
Common, \$5 par value—		
Authorized 1,000,000 shares		3,264,200
Issued and outstanding 652,840 shares	\$ 3,264,200	969,460
Other paid in capital (Note 7)	969,538	
Earnings subsequent to September 30, 1944 retained in the business (Note 5)	1,606,585	1,180,660
	<u>\$ 5,840,323</u>	<u>\$ 5,694,220</u>
	<u>\$11,102,851</u>	<u>\$10,644,186</u>

(See notes to the financial statements)

Walt Disney Productions and Subsidiaries

CONSOLIDATED STATEMENT OF INCOME ACCOUNT

	Year Ended	
	Sept. 29, 1951	Sept. 30, 1950
INCOME		
Film rental income, producer's share (Note 6) —		
Feature pictures	\$ 2,907,291	\$ 4,020,623
Short subjects	1,005,183	1,351,577
Income from publications, comic strips, licensing cartoon characters, music, etc.	2,375,065	1,921,649
TOTAL INCOME	<u>\$ 6,287,539</u>	<u>\$ 7,293,849</u>
COSTS AND EXPENSES		
Amortization of picture costs (Note 2)—		
Feature pictures	\$ 2,378,140	\$ 2,949,403
Short subjects	620,236	955,632
Costs applicable to other income	1,231,701	889,172
General, administrative and selling expenses	1,217,253	1,044,982
Interest expense	132,105	183,503
Cost of stories abandoned	71,264	28,615
Estimated federal taxes on income (Note 4)	207,000	525,000
TOTAL COSTS AND EXPENSES	<u>\$ 5,857,699</u>	<u>\$ 6,576,307</u>
PROFIT FOR THE YEAR	<u>\$ 429,840</u>	<u>\$ 717,542</u>

(See notes to the financial statements)

Walt Disney Productions and Subsidiaries

CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

	Year Ended	
	Sept. 29, 1951	Sept. 30, 1950
Balance at beginning of year	\$1,180,660	\$ 487,991
Add (deduct)—		
Profit for the year	429,840	717,542
Dividends declared on preferred stock	(3,915)	(24,873)
Balance at end of year (Note 5)	<u>\$1,606,585</u>	<u>\$ 1,180,660</u>

(See notes to the financial statements)

PRICE, WATERHOUSE & CO.

530 WEST SIXTH STREET

LOS ANGELES 14

December 19 1951

To the Board of Directors of
Walt Disney Productions:

In our opinion the accompanying financial statements present fairly the consolidated financial position of Walt Disney Productions and subsidiaries at September 29 1951, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

NOTES TO *The* FINANCIAL STATEMENTS

Note 1 Principles of Consolidation

The accounts of all domestic subsidiaries (all wholly owned except one which is 51% owned) have been consolidated in the accompanying financial statements. All significant inter-company transactions have been eliminated. The minority interest is insignificant and is included in accounts payable.

The accounts of foreign subsidiaries have not been consolidated because of exchange restrictions. With unimportant exceptions these companies are wholly owned and license the use of the company's cartoon characters in various foreign countries. The investment in foreign subsidiaries has been reduced by amortization to September 29, 1951 to \$11,803, which is approximately equivalent to the net book value of the subsidiaries at date of acquisition. Royalties, dividends and other revenues received from these companies have been taken into income account as received and the investment accounts have not been adjusted to reflect changes (which are not significant) in the net book values of the companies since acquisition.

Note 2 Inventories

Costs of completed productions are being charged to income account in the proportion that the income received by the company bears to the estimated total to be received.

The \$1,000,000 provision for possible excess of cost of inventories over estimated realizable amounts at September 29, 1951 is based largely upon the net income which the company's officers estimate can reasonably be expected to be derived from inventories. Amortization of costs of feature pictures and the related income from these pictures are shown below:

	<i>Income</i>	<i>Amortization</i>	<i>Difference</i>
Profitable pictures	\$2,421,708	\$1,305,154	\$1,116,554
Loss pictures	485,583	1,072,986	(587,403)
	<u>\$2,907,291</u>	<u>\$2,378,140</u>	<u>\$ 529,151</u>

The provision of \$1,000,000 at September 30, 1950 was not reduced by losses of \$587,403 absorbed during the year because other developments indicated that a provision of approximately \$1,000,000 was required at September 29, 1951. Future changes in domestic and foreign conditions may materially affect (either favorably or unfavorably) the ultimate realization of the inventories.

Note 3 Notes Payable

Notes payable of \$2,110,637 comprise demand notes payable to a bank which with accrued interest are secured by motion picture productions and revenues to be derived therefrom.

Note 4 Federal Income Taxes

The federal income tax liability for all periods to September 30, 1947 has been determined and paid. The company's returns for the two years to September 30, 1949 have been examined by the Los Angeles



Revenue Agent's office and the estimated liability shown in the balance sheet is believed to be reasonable provision for federal taxes that may ultimately become payable for these years as well as for federal taxes (including possible excess profits taxes) for the two years ended September 29, 1951.

Note 5 Long Term Liabilities

The indenture under which the 4% debentures, Series A, due July 1, 1960, were issued permits the payment of cash dividends on any class of stock or the purchase or retirement of common stock only if the retirement and other provisions of the indenture have been complied with, and then only if the company has accumulated net earnings subsequent to September 30, 1944 in excess of two years interest on the debentures, which was \$52,817 at September 29, 1951.

Dividends payable in stock of the company may be paid on any class of stock without restriction. The indenture also requires a sinking fund to be provided out of earnings which obligation the company had met to September 29, 1951. The indenture also provides, at the option of the company, for the retirement of debentures other than through the operation of the sinking fund at stipulated percentages in excess of par to and including July 1, 1955, and thereafter to maturity, at par.

The other long term loans are secured by and are payable from revenue derived from publication of comic magazines and certain other books. Revenue from these sources to September 29, 1951 has met in full instalments due to December 31, 1956.

Note 6 Method of Accounting for Revenue

The company's share of the gross income from films has been remitted to it by the distributors after deducting the distribution commissions and certain expenses of distribution. The commissions are various percentages of the rentals received by the distributors from exhibitors. The company has recorded its share of film rental income at the time of receipt of remittances in United States dollars or at the time of expenditure of foreign currencies abroad for the account of the company.

At September 29, 1951 there was approximately \$825,000 (at current trading rates of exchange) of blocked currencies in foreign countries representing the company's share of film rental income which has not been reflected as an asset or as income in the attached statements.

Note 7 Preferred Stock

All outstanding preferred stock was redeemed on January 1, 1951 at par plus accrued dividends. During the fiscal year and prior to the redemption, 325 shares of preferred stock were purchased and retired; the \$78 excess of par value over cost of acquisition was credited to Other Paid In Capital.

